



Divorce and Taxes: Overview, Filing Status and Alimony Implications

Course #30051B

Taxes

2 Credit Hours

Support@PacificCPE.com | (800) 787-5313

PacificCPE.com

DIVORCE AND TAXES: OVERVIEW, FILING STATUS AND ALIMONY IMPLICATIONS

This course provides an overview of key tax issues related to divorce, including the impact of marital status on filing status and the tax treatment of alimony for both the payor and payee. It offers practical guidance for navigating these issues to ensure accurate tax reporting and compliance during and after divorce.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Introduction to Divorce Taxation
Filing Status
Alimony

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recall the overall tax issues associated with divorce.
- Recognize the importance of marital status when choosing an appropriate filing status.
- Identify the tax consequences of alimony for the payor and payee.

NOTICE

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties or merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

The End User shall be permitted to use the Licensed Content for internal purposes only and not for resale or distribution. The Licensed Content is provided on an “as is” basis and without any warranties of any kind, express or implied. CCH INCORPORATED AND ITS LICENSORS AND AFFILIATES DISCLAIM ALL WARRANTIES WITH RESPECT TO THE LICENSED CONTENT, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, TITLE, QUIET ENJOYMENT AND INFORMATION COMPLETENESS, CURRENCY OR ACCURACY.

End User assumes all responsibilities and obligations with respect to the selection of the Licensed Content to achieve End User’s intended results. End User assumes all responsibilities and obligations with respect to any decision or advice made or given as a result of the use or application of the Licensed Content. CCH and its licensors and affiliates are not engaged in the rendering of legal, accounting, tax or other professional advice or services. If legal, accounting, tax or other expert assistance is required, the services of a competent professional should be sought.

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

© **Pacific CPE, LP 2025**

Program publication date **8/12/25**

EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

TABLE OF CONTENTS

Chapter 1: Introduction to Divorce Taxation	1
I. What's New	1
A. Alimony	1
II. An Overview of Issues	2
III. Issues in Divorce	3
A. ALIMONY AND SUPPORT PAYMENTS	5
B. EXCHANGE OF PROPERTY INCIDENT TO DIVORCE	6
C. CHILDREN	7
D. TAX FILING STATUS	7
E. QUALIFIED DOMESTIC RELATIONS ORDERS	8
F. MARITAL HOME	8
Chapter 1: Test Your Knowledge	10
Chapter 1: Solutions and Suggested Responses	11
Chapter 2: Filing Status	12
I. Introduction	12
A. "UNMARRIED" PERSONS	12
B. "MARRIED" PERSONS	13
C. Premium Tax Credit	13
II. Married Filing Jointly	13
A. NONRESIDENT ALIEN	14
B. SIGNATURES REQUIRED	14
C. JOINT AND INDIVIDUAL LIABILITY	14
D. TAX REFUND APPLIED TO SPOUSE'S DEBTS	15
III. Married Filing Separately	15
A. COMMUNITY OR SEPARATE INCOME	16
B. SEPARATE LIABILITY	16
C. ITEMIZED DEDUCTIONS	16
D. SEPARATE RETURNS MAY YIELD HIGHER TAX	17
IV. Head of Household	18
A. ADVANTAGES	18
B. REQUIREMENTS	19
C. PERSONS CONSIDERED "UNMARRIED"	19
D. KEEPING UP A HOME	19

E. QUALIFYING PERSON	20
V. Dependents	22
A. QUALIFYING CHILD OR QUALIFYING RELATIVE	22
C. SPECIAL RULES FOR DIVORCED OR SEPARATED PARENTS	23
D. SPECIAL TEST FOR QUALIFYING CHILD OF MORE THAN ONE PERSON	26
E. Tiebreaker Rules	27
Chapter 2: Test Your Knowledge	31
Chapter 2: Solutions and Suggested Responses	32
Chapter 3: Alimony	33
I. Introduction	33
A. Alimony	33
II. Rules in Detail	35
A. PAYMENTS NOT ALIMONY	35
B. ALIMONY REQUIREMENTS	38
C. RECAPTURE OF ALIMONY	42
Chapter 3: Test Your Knowledge	46
Chapter 3: Solutions and Suggested Responses	47
Glossary	48
Index	52
Final Exam Copy	53

CHAPTER 1: INTRODUCTION TO DIVORCE TAXATION

Chapter Objective

After completing this chapter, you should be able to:

- Recall the overall tax issues associated with divorce.

I. WHAT'S NEW

A. ALIMONY

Alimony payments (but **not** child support) made pursuant to a divorce or separation agreement entered into **on or before** December 31, 2018 are deductible by the payer and included in the income of the recipient for tax purposes. Thus, alimony payments made in 2018 are deductible to the payer and includible in the recipient's income.

However, since passage of the TCJA, alimony payments are no longer tax-deductible to the payer or includible in the income of the recipient if made under:

- a. A divorce or separation agreement entered into **after** December 31, 2018; or
- b. A divorce or separation agreement entered into on or before December 31, 2018, but modified after that date if the modified agreement specifically provides that the provisions of the Tax Cuts and Jobs Act of 2017 will apply.

Alimony payments made under a divorce or separation agreement entered into on or before December 31, 2018, but paid after that date - with the exception of such payments made under a modified agreement described in b) above - will continue to be tax-deductible to the payer and includible in the income of the recipient.

Note



Since passage of the One Big Beautiful Bill Act (OBBBA), these changes became permanent.

II. AN OVERVIEW OF ISSUES

There are few situations in life that create as much emotional angst as divorce. As happy as people typically are when they are planning their wedding, they are ten times as angry when they are going through a divorce. Not only are there the typical emotional issues involved when a couple splits up, there are often issues with children and, of course, money. And what discussion about money can be complete without a consideration of taxes. There are many, many different issues associated with a divorce that can raise important tax considerations. Here are just a few of the questions a CPA might expect to receive when a client is contemplating or actually going through a divorce:

Question 1: *I am divorced and pay child support. My children live with their mother and she claims them on her tax returns. Can I claim head of household?*

Answer 1: No, your children do not qualify you for the head of household filing status.

Question 2: *How do you claim a child if you agree with your ex-spouse to claim him 6 months and he claims him the other 6 months of the year?*

Answer 2: The dependency exemption can not be split. Generally, the custodial parent is treated as the parent who provided more than half of the child's support. This parent is usually allowed to claim the exemption for the child if the other exemption tests are met. However, the noncustodial parent may be treated as the parent who provided more than half of the child's support if certain conditions are met.

Question 3: *My 7 year old son lived in my household for seven months of the year, and I provided all of his support. I paid child support to his other parent for the other five months. Can I claim my son as a dependent and for a child tax credit without Form 8332?*

Answer 3: Generally, the custodial parent is treated as the parent who provided more than half of the child's support. This parent is usually allowed to claim the exemption for the child if the other dependency tests are met. However, the noncustodial parent may be treated as the parent who provided more than half of the child's support if the custodial parent releases the exemption by signing a Form 8332, *Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent*, or a substantially similar statement. Note, also, that if you can claim your son as a dependent and he is under age 17 at the end of the tax year and a citizen or resident of the United States, you may be able to claim the Child Tax Credit.

Question 4: *What is the tax form number for the custodial parent to sign that allows the noncustodial parent to use the child as a dependent?*

Answer 4: The custodial parent should use Form 8332, *Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent*, or a substantially similar statement, to release the exemption to the noncustodial parent. The noncustodial parent must attach the form or statement to his or her tax return. Please be aware that if the custodial

parent releases the exemption for a child, the custodial parent may not claim a child tax credit for that child.

Question 5: *I have a court order that says I have the tax exemption for my minor child until further order of the court. Can I just send a copy of the court order with my prepared taxes or do I have to have a waiver signed by the other parent?*

Answer 5: Unless the court order was executed before 1985, you must obtain a waiver from the other parent. You are required to submit a signed Form 8332 (PDF), *Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent*, or a substantially similar statement containing the information required by the form. A court order, executed before 1985, that entitles the non-custodial parent to the exemption is sufficient if you have provided at least \$600 of the child's support during the year.

Question 6: *Can a court order determine who takes a child for a deduction? Does the court order supersede the IRS requirements?*

Answer 6: Federal law determines who may claim a dependency exemption.

An accountant needs to be able to answer these and other questions when a client is going through a divorce. Obviously, the more complex a person's financial situation, the more issues there will be to resolve. It is bad enough that property must be divided up when a couple divorces, but it needs to be done in a way that minimizes the tax liability of your client. The following is a summary of some of these major issues, which are discussed in greater detail in the chapters that follow.

III. ISSUES IN DIVORCE

TABLE 1.1. TAX IMPLICATIONS OF VARIOUS ISSUES ASSOCIATED WITH DIVORCE

Issue	Tax Implications
Alimony	<ul style="list-style-type: none">• Alimony payments are tax deductible for the ex-spouse making the payments and taxable to the ex-spouse receiving the payments prior to 2019. As noted on page 1, this tax treatment is not applicable to most divorce and separation agreements entered into after 2018.• The tax treatment of alimony payments based on agreements entered into prior to 2019 makes it tempting for divorcing spouses to try to disguise property settlement and child support as alimony. For that reason, the IRS has strict rules about what's considered alimony for tax purposes.• The IRS will consider money paid as alimony to be property settlement funds (and not deductible) if it's "front-loaded" (concentrated in too short a period of time directly after the divorce).